

CROWLEY, MILNER AND COMPANY

DETROIT 26, MICHIGAN

Annual Report

JANUARY 31, 1955

BOARD OF DIRECTORS

DANIEL J. CROWLEY

MRS. JENNIE E. CROWLEY

JAMES H. CHAMBERLAIN

EDWARD H. GRAHAM

JOHN T. HIGGINS

ELROY O. JONES

STEWART E. McLAREN

MRS. KATHERINE C. TRAVIS

W. TOM ZURSCHMIEDE

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DANIEL J. CROWLEY

Executive Vice President and General Manager

JAMES H. CHAMBERLAIN

Vice President

MRS. KATHERINE C. TRAVIS

Treasurer

LEO G. COLE

Secretary

WILLIS B. MANCHESTER

Transfer Agent
DETROIT TRUST COMPANY
DETROIT, MICHIGAN

Registrar—Common Stock
MANUFACTURERS NATIONAL BANK
DETROIT, MICHIGAN

Counsel
DYKEMA, JONES & WHEAT
DETROIT, MICHIGAN

Auditors
ERNST & ERNST
DETROIT, MICHIGAN

CROWLEY, MILNER AND COMPANY
DETROIT 26, MICHIGAN

April 4, 1955

TO OUR STOCKHOLDERS:

The annual financial report of Crowley, Milner and Company for the year ended January 31, 1955, is presented herewith:

	YEAR ENDED JANUARY 31	
	1955	1954
OPERATING RESULTS		
Net Sales	\$24,083,730	\$28,212,091
Profit before Federal Income Taxes	268,060	802,072
Federal Income Taxes	80,000	435,000
Net Profit	188,060	367,072
Dividends Paid	101,830	101,830
Number of shares of Common Stock outstanding	339,433	339,433
Net Profit per share of Common Stock	\$0.55	\$1.08
Dividends per share of Common Stock	.30	.30
Net Assets (Book Value) per share of Common Stock	21.26	21.01
Net Amount of Inventory reduction due to Lifo method of valuation	15,614	72,990
Provision for Depreciation	169,480	184,098
Ratio of Current Assets to Current Liabilities	3.75 to 1	3.12 to 1

Our net sales for the current year decreased 14.6% which compares with an average decrease of 16.1% for downtown department stores in Detroit according to Detroit Retail Merchants Association reports.

The following summary shows that working capital increased \$130,767 during the past year:

	Jan. 31, 1955	Jan. 31, 1954	Increase
Current Assets	\$8,667,075	\$9,168,570	
Current Liabilities	2,310,573	2,942,835	
Working Capital	<u>\$6,356,502</u>	<u>\$6,225,735</u>	<u>\$130,767</u>

The increase in working capital resulted from the following:

Additions:

Net Profit for the year	\$ 188,060	
Add provision for depreciation	169,480	
Decrease in prepaid expenses	<u>13,477</u>	\$371,017

Deductions:

Dividends paid	\$ 101,830	
Payments on long-term debt	107,500	
Purchase of fixtures and equipment	30,572	
Increase in miscellaneous assets	<u>348</u>	\$240,250

Increase in working capital		<u>\$130,767</u>
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ACCOUNTS RECEIVABLE

A summary of outstanding customers' accounts follows:

TYPE OF ACCOUNT	Jan. 31, 1955	Jan. 31, 1954
Thirty-day charge accounts	\$1,384,914	\$1,553,824
Deferred payment accounts (Maximum term 24 months)	1,485,000	1,625,257
Weekly payment accounts (Maximum term 20 weeks)	1,008,670	1,064,689
C.O.D., Will Call, Debit balances against vendors, etc.	204,960	283,197
	<u>\$4,083,544</u>	<u>\$4,527,147</u>
Less allowance for doubtful accounts	125,000	125,000
	<u>\$3,958,544</u>	<u>\$4,402,147</u>

Losses from uncollectible accounts amounted to \$74,730 for the current year as compared to \$67,884 for the previous year. Beginning with the year ended January 31, 1955, we adopted the "reserve method" of accounting for bad debt losses for income tax purposes. The allowance for doubtful accounts of \$125,000 shown above had been provided out of income of previous years but had never been allowed as an income tax deduction. Because of the change to the "reserve method" of accounting, \$105,000 of the \$125,000 allowance becomes an income tax deduction. This change did not affect our operating profit before tax. It did result in a reduction of \$54,600 in our income tax liability for the current year.

INVENTORY

Our analysis of the age of merchandise on hand shows that 7.21% consisted of merchandise over one year old which compares with 2.69% for last year. Inventory turnover based upon total average monthly retail inventories was 3.4 times as compared to 4.0 times for the previous year.

PROPERTY ACCOUNTS

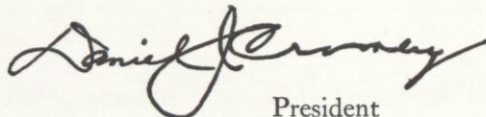
Additions to property accounts for the year amounted to \$30,572 as compared to \$73,478 for the previous year.

PARKING FACILITY

The four-story multiple deck shoppers' parking garage which is owned equally by the J. L. Hudson Company and ourselves is in the final stages of completion. It has been in use on a partial basis since last December.

On behalf of the Board of Directors, I wish to express sincere appreciation to our employees, stockholders, New York buying organization, merchandise resources and other suppliers who all contributed to our continued progress during the past year.

Very truly yours,


President

BALANCE

CROWLEY, MILNE

ASSETS

	<u>JAN. 31, 1955</u>	<u>JAN. 31, 1954</u>
CURRENT ASSETS		
Cash.....	\$ 783,842	\$ 622,916
United States Government securities—at cost and accrued interest (approximately market).....	212,838	209,700
Trade accounts receivable (including installment accounts) less allowance of \$125,000 for doubtful accounts.....	3,958,544	4,402,147
Inventories on hand and in transit—at cost determined on a last-in, first-out basis by the retail inventory method, less allowance of \$115,000 at January 31, 1955, and \$125,000 at January 31, 1954, for purchase discounts.....	<u>3,711,851</u>	<u>3,933,807</u>
TOTAL CURRENT ASSETS.....	<u>\$ 8,667,075</u>	<u>\$ 9,168,570</u>
PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS—at cost		
Land and buildings owned.....	\$ 939,535	\$ 934,310
Buildings and improvements on leased land.....	4,458,350	4,458,350
Furniture, fixtures, and equipment.....	<u>1,210,093</u>	<u>1,237,883</u>
	\$ 6,607,978	\$ 6,630,543
Less accumulated provisions for depreciation and amortization..	<u>4,800,031</u>	<u>4,683,688</u>
TOTAL PROPERTIES—NET.....	<u>\$ 1,807,947</u>	<u>\$ 1,946,855</u>
INVESTMENT IN PARKING FACILITY—at cost.....	350,000	350,000
MISCELLANEOUS ASSETS.....	31,802	31,454
LEASEHOLDS AND GOOD WILL.....	1	1
PREPAID EXPENSES		
Supply inventory, insurance, and other prepaid expenses.....	<u>187,571</u>	<u>201,048</u>
	<u><u>\$11,044,396</u></u>	<u><u>\$11,697,928</u></u>

SHEETS

R AND COMPANY

LIABILITIES

	JAN. 31, 1955	JAN. 31, 1954
CURRENT LIABILITIES		
Notes payable to bank.....	\$ —0—	\$ 250,000
Trade accounts payable.....	1,389,886	1,334,886
Pay rolls and pay roll deductions.....	243,596	345,455
Accrued property taxes.....	363,795	355,760
Miscellaneous taxes.....	82,063	81,189
Federal taxes on income—estimated.....	123,733	468,045
Current maturities of long-term debt.....	107,500	107,500
TOTAL CURRENT LIABILITIES.....	\$ 2,310,573	\$ 2,942,835
LONG-TERM DEBT		
Notes payable to bank and insurance company—due \$100,000 annually—Note A.....	\$ 1,600,000	\$ 1,700,000
Other note payable—due \$7,500 annually.....	22,500	30,000
	\$ 1,622,500	\$ 1,730,000
Less current maturities.....	107,500	107,500
NET LONG-TERM DEBT.....	\$ 1,515,000	\$ 1,622,500
CAPITAL STOCK AND SURPLUS		
Common Stock, par value \$1 per share:		
Authorized and issued—352,250 shares		
In treasury 12,817 shares		
Outstanding 339,433 shares.....	\$ 339,433	\$ 339,433
Capital surplus.....	2,410,247	2,410,247
Earned surplus—Note A.....	4,469,143	4,382,913
TOTAL CAPITAL STOCK AND SURPLUS.....	\$ 7,218,823	\$ 7,132,593
LONG-TERM LEASE COMMITMENTS—Note B		
	<u>\$11,044,396</u>	<u>\$11,697,928</u>
See notes to financial statements.		

STATEMENT OF PROFIT AND LOSS

CROWLEY, MILNER AND COMPANY

	YEAR ENDED JANUARY 31	
	1955	1954
Net sales (including sales of leased departments).....	\$24,083,730	\$28,212,091
Costs and expenses:		
Cost of merchandise sold, workroom costs, and buying and occupancy expenses.....	\$18,437,061	\$21,345,728
Publicity, selling, and administrative expenses, less deferred-payment-account fees.....	5,297,238	6,000,515
Provision for loss on bad accounts, less recoveries.....	74,730	67,884
	<u>\$23,809,029</u>	<u>\$27,414,127</u>
OPERATING PROFIT.....	\$ 274,701	\$ 797,964
Other income:		
Interest earned on United States Government securities.....	\$ 3,581	\$ 14,153
Income from property not used in operations, less expenses....	20,863	22,063
Miscellaneous income.....	34,969	39,963
	<u>\$ 59,413</u>	<u>\$ 76,179</u>
TOTAL OTHER INCOME.....	\$ 334,114	\$ 874,143
Other deductions:		
Interest expense.....	\$ 61,182	\$ 68,905
Miscellaneous deductions.....	4,872	3,166
	<u>\$ 66,054</u>	<u>\$ 72,071</u>
TOTAL OTHER DEDUCTIONS.....	\$ 66,054	\$ 72,071
PROFIT BEFORE TAXES ON INCOME.....	\$ 268,060	\$ 802,072
Federal taxes on income—estimated—Note C.....	80,000	435,000
	<u>\$ 188,060</u>	<u>\$ 367,072</u>
NET PROFIT.....	<u>\$ 188,060</u>	<u>\$ 367,072</u>

Provision for depreciation of buildings, and equipment and amortization of leasehold improvements amounted to \$169,480 for 1955 and \$184,098 for 1954.

See notes to financial statements.

STATEMENT OF EARNED SURPLUS

CROWLEY, MILNER AND COMPANY

	YEAR ENDED JANUARY 31	
	1955	1954
Balance at beginning of year.....	\$ 4,382,913	\$ 4,117,671
Net profit for the year.....	188,060	367,072
Cash dividends on Common Stock—\$0.30 a share.....	\$ 4,570,973	\$ 4,484,743
	101,830	101,830
Balance at end of year.....	\$ 4,469,143	\$ 4,382,913

NOTES TO FINANCIAL STATEMENTS

January 31, 1955

Note A—In connection with long-term notes payable to bank and insurance company, the Company is required to make annual payments of \$100,000 on June 1st of each year until June 1, 1965, when the remaining balance is due. Among other covenants of the loan agreements, the Company has agreed that it will not permit working capital to be less than \$3,750,000 and has agreed to other restrictions on the payment of dividends, the general effect of which is that cash dividends paid and purchases of Common Stock after January 31, 1950, will be limited to an amount which does not exceed 70% of net profits after that date. At January 31, 1955, earned surplus in the amount of \$744,378 was free of such restrictions.

Note B—The leases covering the Company's store premises expire June 30, 1976, and require rental payments on a percentage-of-sales basis (plus payment of real estate taxes) with a minimum annual rental of \$411,958. The leases require restoration of the dividing walls between the several leased buildings upon expiration of the leases. The cost of such restoration has not been provided for in the financial statements.

Note C—Beginning in the year ended January 31, 1955, the Company has adopted the "reserve method" of accounting for bad debt losses for income-tax purposes. The adoption of such method resulted in an additional reduction of \$105,000 in the taxable income of the year, with a corresponding reduction of \$54,600 in federal taxes on income.

ACCOUNTANTS' REPORT

Board of Directors,
Crowley, Milner and Company,
Detroit, Michigan.

We have examined the balance sheet of Crowley, Milner and Company as of January 31, 1955, and the related statements of profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of Crowley, Milner and Company at January 31, 1955, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Detroit, Michigan
March 22, 1955
